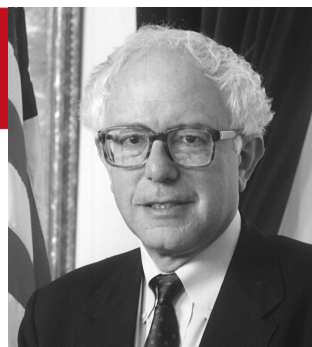




U.S. Representative

**Bernie Sanders**

*A Special Focus on Medicare*



Winter 2003-04

Congress of the United States  
House of Representatives  
Washington, D.C. 20515

*Dear Fellow Vermonter,*

I am writing to update you about the new Medicare prescription drug bill that has been approved by Congress and the President. During the last several months, my office has received hundreds of inquiries about this legislation. I hope you find this newsletter helpful in answering some of the questions you may have. I also want to take this opportunity to invite you to a Congressional Town Meeting I am holding on Saturday, Jan. 17 at Montpelier High School. The purpose of the meeting is to present more fully the details of this new Medicare bill and to discuss other issues of importance to older Vermonters.

As you may know, I have long been concerned about the outrageously high prices of prescription medicines in the United States. And this year, I was very hopeful that the Congress and the President were finally going to create a new Medicare prescription drug benefit that would help seniors in a meaningful way. Unfortunately, in my view, the law that was passed will not accomplish that goal. Sadly, the profits of the pharmaceutical companies were put before the health needs of America's seniors. The result is that the bill included only a very weak benefit and did not address the fact that Americans pay, by far, the highest prices in the world for prescription drugs.

Inside this newsletter you will find answers to some frequently-asked questions about the new Medicare prescription drug plan. Also included is a chart that will allow you to better understand how the program affects you personally. But briefly, let me outline some of my concerns about this new prescription drug plan.

The first problem is that the program does not go into effect until 2006. Until then seniors will get discount cards that provide them a small discount off the retail price. Once the program does kick in in 2006, it is important to understand that seniors will not actually get a drug benefit under Medicare. Instead, the law relies on private insurers to provide prescription drug coverage. This means there will be many different plans out there and seniors in one region of the country may find that insurers are offering more generous coverage than in others. To me, that's not right. Seniors in Vermont should get the same benefit as seniors in Texas, Florida, California, or major metropolitan areas – and they shouldn't have to wait until 2006.

Secondly, the bill does nothing to lower the high cost of prescription drugs for seniors or anyone else. I have long supported allowing Americans to access FDA-approved medicines at lower prices from Canada and other industrialized countries. During the last several months, a number of cities and states have begun pursuing this approach, which is called "reimportation." Moving forward with reimportation, and allowing Americans to pay world-prices for prescription drugs, would lower drug prices in this country by 30-50% without any taxpayer expense whatsoever. That's a far greater savings than most seniors will realize under the new prescription drug plan – even though this new law is going to cost taxpayers well over \$400 billion. Sadly, this legislation does nothing to stop the drug companies from continuing to raise their prices. Incredibly, language in the new law actually prohibits the federal government from negotiating with the drug companies for lower prices for Medicare beneficiaries. In recent years the cost of prescription drugs has soared and, under this legislation, the drug companies will be able to continue charging us any price they want.

This issue of controlling the cost of prescription drugs is very important, as medicine prices are rising rapidly – in many cases by over 15% a year. The non-partisan consumer watchdog group Consumers Union estimates that seniors are going to find that in 2007, one year after the enactment of this bill, they will be paying more out-of-pocket costs for their medicines under this legislation than they are today with no coverage whatsoever. That's because the new program will not control the price of medicines and the drug benefits are so skimpy.

Finally, I am extremely concerned about parts of the law that threaten the essence of the Medicare program itself. The promise of Medicare is that it provides universal healthcare to all Americans who are eligible. But that may no longer be true if the supporters of this bill get their way. That's because the bill requires Medicare to start "competing" against private insurance plans in some test regions of the country in 2010. And to make sure Medicare doesn't win and that we move toward privatization, the federal government is going to provide the private companies with a \$12 billion subsidy to give them a leg up.

Needless to say, these are only some of my concerns about this very long and complex legislation. Please be assured that as soon as Congress reconvenes in January, I will be working hard to remove the objectionable sections of this bill so that we can create a prescription drug benefit under Medicare that provides real help to seniors.

As always, my office is available to help with any problems you might have with any federal program such as Social Security, Medicare, or veterans benefits. We also look forward to hearing your questions or concerns about this new Medicare prescription drug benefit or any other issue. If we can be of any help, please call my toll free number at 1-800-339-9834 or visit our website at [bernie.house.gov](http://bernie.house.gov).

Sincerely yours,

Bernard Sanders  
U.S. Congressman

# Frequently-Asked Questions

## About the New Medicare Law

*The new prescription drug program is part of a complicated 678-page bill. Below are some short answers to some of the most common questions about it. These are meant to provide a brief summary... please keep in mind that the answer for your situation could be different.*

### Is this plan really a Medicare drug benefit?

No. This prescription drug plan will be provided by private insurers on *their* terms, guided only loosely by requirements in the legislation. The benefit will not resemble the Medicare Part B benefit, with its defined premium, low-deductible and low co-pay, that you have grown accustomed to and relied on for years. The benefit will vary from region to region and the provider will determine which medicines will be covered under the plan and which will not.

### When will the new benefit start?

The new prescription drug benefit will not start until 2006. Beginning in 2006, you are supposed to have at least two options: at least one prescription-drug-only plan and one plan offering drug coverage as part of a full Medicare package. Only if fewer than two private providers offer coverage in Vermont will Medicare offer a fall-back plan.

### What will it cost me?

The new law does not specify exactly what the premium will be – it is likely to vary from region to region across the country. The estimate is that the monthly premium will be about \$35. That's \$420 per year. Then there is a \$250 deductible, which means you will pay all of the first \$250 of prescription drugs you need. Once you have more than \$250 in drug costs, then the benefit kicks in.

### What is the benefit?

In addition to your \$250 deductible and your \$420 in annual premiums, you will pay 25% of all your costs between \$250 and \$2,250. The benefit will pay 75% of those costs. Then the benefit stops for costs between \$2,250 and \$5,100 – you pay 100%! For costs over \$5,100, the plan will cover 95% and you will be responsible for 5%.

To estimate your costs and savings based on your annual drug bill, see Page 3.

### Do I have to take the coverage?

Not exactly. You do not have to participate in the new prescription drug plan – it is “voluntary.” However, the Congressional Budget Office estimates that 2.7 million

retirees will lose their present coverage because many employers are likely to eliminate retiree coverage once this new plan becomes available. Many state prescription drug plans, such as V-HAP, V-Script and V-Script Expanded, will lose federal funding they presently receive, and states are likely to eliminate their popular plans that offer better benefits. If you decide to forgo coverage altogether until you feel you really need it, you may be subjected to a substantial late-entry fee that could be hundreds or thousands of dollars.

### What's this I hear about a “Discount Card” available in 2004?

Since the benefit will not be available until 2006, the bill provides for a Medicare-endorsed prescription drug discount card starting in April 2004. But even the White House's best estimate is that the card will result in a discount of only about 15 - 25% off full-priced medicines. With prices rising over 15% every year, that's not much relief.

### How will the new law affect my current Medicare healthcare coverage?

In the short term, it shouldn't affect your current Medicare coverage. But it requires “demonstration projects” beginning in 2010, forcing traditional Medicare to “compete” with private health insurers in six different regions of the country. These insurers will get generous incentives to enter the Medicare market (\$12 billion over 10 years), which starts the “competition” on unequal footing. These insurers are likely to target their plans to younger, healthier seniors, concentrating more and more of the older and sicker into traditional Medicare, hence driving up costs for those in traditional Medicare.

### What if I have a low income – is there any extra assistance for me?

If you qualify as low-income and you submit to and pass a strict assets test, your

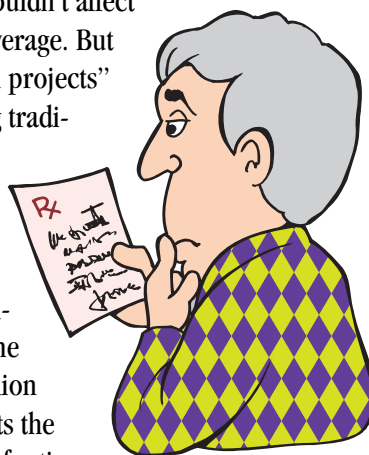
benefit could be better than the standard benefit described above. You may be eligible for a reduced or no premium, a lower or no deductible, a reduced co-pay and no gap in coverage. However, the assets test is likely to keep many low-income seniors from getting the most generous benefit. Anyone who has \$6,000 worth of assets will not be eligible. Assets that will count toward the \$6,000 limit include, among other things, bank accounts; household effects (such as your household furniture) if worth more than \$2,000; burial funds over \$1,500 in value; and life-insurance policies with a cash-surrender value of more than \$1,500.

The level of assistance you qualify for will depend on whether you are eligible for Medicaid in your state, but generally speaking if your income is below 135 percent of the federal poverty level (that's \$12,123 in annual income for a senior living alone or \$16,362 for a couple) and you have assets below \$6,000 for an individual or \$9,000 for a couple (not including the value of your home or car), you will have no premium and no deductible, and you will be able to get your medicines at \$1-2 per generic prescription and \$3-5

per brand-name prescription. If your income is between 135% and 150% of the federal poverty level and you have assets below \$10,000 for an individual or \$20,000 for a couple, you will have a reduced premium, reduced deductible and a 15% co-pay for costs beyond the deductible.

### Does the new bill do anything to lower the prices of medicines?

No. The bill rejects allowing Americans to buy their prescription drugs from Canada or other well-regulated countries where prices are often a fraction of the U.S. price. It also prohibits the federal government from using the purchasing power of the over 40 million seniors in Medicare to negotiate a better price for beneficiaries.



# The Medicare Prescription Drug Plan

in 2006...

Premium	\$35 (estimate) (\$420 per year)
Deductible	\$250
Co-insurance	25% for \$251 – 2,250
Out-of-Pocket Maximum	\$3,600, plus \$420 in premiums = \$4,020 total <i>(but not really, because you still pay a 5% copayment once in catastrophic coverage)</i>
Coverage Gap	\$2,850 gap <i>(for drug costs between \$2,250 and \$5,100, there is <b>no coverage</b>)</i>

## What It Will Cost You

If your income is above 150% of the federal poverty line and below \$80,000 and your drug costs in 2006 are:

You will pay out of pocket  
*(including premiums, deductible and co-pay)*

\$500/yr.	\$ 733	146.6%
\$1,000/yr	\$ 858	85.8%
\$2,000/yr	\$ 1,108	55.4%
\$3,000/yr	\$ 1,920	64%
\$4,000/yr	\$ 2,920	73%
\$5,000/yr	\$ 3,920	78.4%
\$6,000/yr	\$ 4,065	67.7%

*The Congressional Budget Office estimates that the average drug costs of Medicare beneficiaries in 2006 will be \$3,167 – of which the standard beneficiary would pay \$2,087 or 66%*



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*If you receive more than one copy of this newsletter, we apologize. Please feel  
free to pass the extra copy along to an interested friend.  
This mailing was prepared, published, and mailed at taxpayer expense.*

*You're invited to*

**Bernie's Town Meeting on  
The New Medicare Law**

**Saturday, Jan. 17, 2004 • 10 am  
Montpelier High School**

**Please Remember That We're Here  
To Help...**

Congressman Sanders' office is available to help if you are having problems with any federal program like Medicare, Social Security, or Veterans Programs, or if you would like information on benefits that you, as a Vermont senior, may be eligible for like fuel assistance or help with your food bill. Staff are available at 1-800-339-9834.